

Message Text

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INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

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TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: ETRD, IN

SUBJECT: INDIAN AIDE MEMOIRE ON TRADE BILL

1. FOLLOWING IS TEXT OF AIDE MEMOIRE ON GSP WHICH
AMBASSADOR KAUL HANDED SECRETARY DURING JANUARY 7 MEETING:

2. QUOTE. THE GENERAL SYSTEM OF PREFERENCES AFFECTING
U.S. IMPORTS FROM DEVELOPING COUNTRIES AS PROVIDED FOR
UNDER TITLE V OF THE U.S. TRADE ACT, 1974 HAS COME AS A
CONSIDERABLE DISAPPOINTMENT TO INDIA AFTER THREE YEARS OF
ANTICIPATION.

3. WHILE PURPORTING TO ENCOURAGE IMPORTS FROM DEVELOPING
COUNTRIES, THE ACT SPECIFICALLY EXCLUDES MOST OF THE MANU-
FACTURED ARTICLES WHERE A COUNTRY LIKE INDIA WOULD HAVE HAD
MAXIMUM SCOPE FOR INCREASING ITS EXPORTS. THESE ARE
TEXTILES AND GARMENTS, ELECTRONIC ARTICLES, FOOTWEAR
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ARTICLES, SEVERAL STEEL ARTICLES AND WATCHES.

4. IN RESPECT OF SOME OF THESE ARTICLES, LIKE TEXTILES AND GARMENTS, THERE EXIST ALREADY BILATERAL AGREEMENTS WHEREBY QUOTA RESTRICTIONS OR VOLUNTARY RESTRAINTS ARE OPERATIVE. FURTHER, THERE ARE IN ANY CASE VALUE LIMITS LIKE \$25 MILLION ON THE IMPORT OF ANY SUCH ARTICLE FROM A SINGLE DEVELOPING COUNTRY. IT IS, THEREFORE, DIFFICULT TO UNDERSTAND WHY THESE ARTICLES SHOULD HAVE BEEN EXCLUDED FROM THE

PURVIEW OF GSP IN SPITE OF THE AMPLE RESTRICTIONS.

5. APART FROM THESE EXPLICIT RESTRICTIONS, THE PRESIDENT OF USA CAN DETERMINE ANY OTHER ARTICLES AS IMPORT SENSITIVE AND REMOVE THEM FROM THE PURVIEW OF GSP. THE INTERNATIONAL TRADE COMMISSION UNDER THE ACT HAS ALSO BEEN AUTHORIZED TO REVIEW THE ARTICLES THAT CAN COME UNDER THE PURVIEW OF GSP AND IT IS NOT KNOWN WHAT FURTHER ARTICLES MAY BE EXCLUDED BY THE COMMISSION.

6. THE ACT PROVIDES FOR DISCRIMINATION EVEN AMONGST DEVELOPING COUNTRIES. UNDER SECTION 504(C), THE VALUE LIMITATIONS OF \$25 MILLION OR 50 PER CENT OF THE VALUE OF TOTAL IMPORTS OF AN ARTICLE INTO USA WOULD NOT APPLY TO COUNTRIES WITH WHICH USA HAS A HISTORICAL PREFERENTIAL TRADE RELATIONSHIP.

7. IN ADDITION TO THESE LIMITATIONS ON THE NATURE OR VALUE OF ARTICLES WHICH MAY BENEFIT FROM GSP, THE ACT PRESCRIBES UNDER SECTION 502 FOR WHAT MAY BE TERMED A CODE OF GOOD CONDUCT ON THE PART OF DEVELOPING COUNTRIES SEEKING TO BENEFIT FROM GSP. THIS CODE COVERS ACTIONS OF SUCH COUNTRIES PERTAINING TO NATIONALISATION, OPEC-LIKE ARRANGEMENTS ON SUPPLIES OF COMMODITY RESOURCES, RECOGNITION OF ARBITRAL AWARDS IN FAVOUR OF U.S. PARTIES, ETC., THE ONE-SIDED INTERPRETATION OF WHICH COULD POTENTIALLY BECOME PROBLEMS OF DISCORD IN THE HARMONIOUS DEVELOPMENT OF RELATIONS BETWEEN SOVEREIGN COUNTRIES.

8. NOW THAT THE ACT HAS BEEN PASSED, IT CAN ONLY BE HOPED THAT THE U.S. GOVERNMENT WOULD TAKE THE EARLIEST OPPORTUNITY

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TUNITY TO AMEND THE HARSHER PROVISIONS OF TITLE V AND WOULD NOT FURTHER NARROW DOWN THE BENEFITS THROUGH ADMINISTRATIVE ACTIONS OR INTERPRETATIONS. END QUOTE. KISSINGER

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